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Summary

Summary: San Antonio, TX; Appropriation, Appropriation

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Credit Profile
$14.5 mil muni debt muni issue ser 2001 due 2020
AA-

Sale date: 17-APR-2001

Rationale

The rating on San Antonio, Texas' lease revenue bonds, issued on behalf of San Antonio Municipal Facilities Corp., reflects:

- The general creditworthiness of the city of San Antonio (GO rated 'AA+'),
- Lease payments to be made from annual appropriation of the city,
- A stable and diversified economic base, and
- Strong project essentiality.

The bonds are secured by on-going lease payments by the city of San Antonio to the Municipal Facilities Corp., a not-for-profit corporation. The bonds are further secured by a debt service reserve funded at one-half of the average annual debt service on the bonds. Lease payments will be made based on an annual appropriation from the city from legally available general fund revenues as an on-going obligation of the city for the lease term. Bond proceeds will fund the acquisition and construction of a municipal office facility to be known as the One Stop Development Services Center, which will provide information and services to private sector entities.

Located in Bexar County about 75 miles south of Austin, the San Antonio MSA (population of 1.6 million) ranks it in the top ten in the nation. The overall economic growth remains vibrant, with particularly strong growth in services and trade sectors. As a result, unemployment in the MSA is a low 3.6%. Recent major employer expansions and additions include Lockheed Martin (1,450 positions) and Providian Financial (850). The top 20 such firms represent a recent increase of 8,185 jobs. The city's proximity to Mexico promotes strong international trade and tourism, which creates further economic diversity. Air cargo has shown a strong growth trend increasing to record levels.

Government, specifically military, remains a large component of the economy with five military bases located in the city. Kelly AFB is scheduled to close in July 2001. The city continues to work on its privatization effort at Kelly, where it has been successful at adding approximately 4,500 positions to the 8,300 that will be retained from the base for a total of approximately 12,800. The city's goal is to have created a total of 21,000 jobs there by 2006, which would more than offset the estimated 12,000 jobs lost due to the closing. Boeing and Lockheed Martin are the leading employers at the Kelly installation and are expected to spur further privatization and enable the retention of several aircraft repair operations. Assessed valuations have risen over 6% annually for the last three fiscal years to a total of $35.5 billion. Much of the growth is attributable to healthy residential and commercial construction and annexation activity, all of which are expected to continue at similar levels. Wealth levels remain below the national average; however, the median household effective buying income level for 1999 increased by-nearly 3% to 84.6% of the nation.

Financial performance is strong with a steady increase in the unreserved general fund balance over the last five years to $75.7 million or 16% of expenditures at fiscal year-end 1999. The city's unaudited general fund balance for fiscal 2000 shows a substantial increase to a total fund balance of $94 million, compared to a total balance for 1999 of $84.5 million. The increase in 2000 is primarily due to one-time funds provided by City Public Service (CPS), which will be used for various infrastructure and economic development projects. The city continues to exceed its goal to maintain at least 5% of expenditures in the fund. Additional flexibility is provided as $20.9 million of reserves within the general fund are dedicated only for potential revenue declines. City management expects the total general fund balance for fiscal 2001 to be reduced back to the approximate $85 million level that existed prior to the one-time increase in fiscal 2000. Public safety remains the priority and is the largest expenditure. The general fund continues to rely on CPS revenues, which account for nearly 32% of total general fund revenues. While CPS is moving into a deregulated environment, concerns are limited or mitigated based on its favorable, competitive position.

Overall net debt is moderate on a per capita basis at $1,952, but high as a percent of market value at 7%. However, the capital improvement financing plan is manageable with no tax rate increases projected. A bond election for approximately $140 million in May 1999 passed with over 70% approval. This bond authorization is expected to meet the city's capital improvement plans through 2006. The city will continue to issue approximately equal amounts of debt annually.

Outlook

The outlook of the city reflects the expectation of continued economic growth, coupled with maintenance of prudent fiscal management and good financial reserves.

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